



NEWS RELEASE

**STATE BOARD
OF EQUALIZATION**

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FOR IMMEDIATE RELEASE

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**BOARD OF EQUALIZATION WILL REVIEW
FLAVORED MALT BEVERAGE TAXES**

Board Chairman John Chiang announced that after hearing testimony from students, public interest groups and representatives from the alcohol industry, the Board of Equalization today voted to look into the classification of flavored malt beverages and their taxation under California law.

Flavored malt beverages, often called 'alcopops,' are defined by Federal regulations as malt beverages in which the majority of alcohol is the product of brewing.

The Board heard from several speakers in a Sacramento hearing yesterday, some raising concerns that the beverages should be classified and taxed differently according to state law. Speakers also discussed possible effects on underage drinking, and what new tax rates would mean to the alcohol, beverage and dining industries.

"I want to make sure these products are being classified and taxed properly under California law," said Chiang. "A lot of questions have been raised, including curbing underage drinking and loss of state revenue. I believe that a full, public review is the best way to look into these matters."

Student organizations petitioned the Board in November to review its taxation of flavored malt beverages, prompting this week's hearing in Sacramento.

Today's vote does not change tax rates or regulations. Instead, it directs Board of Equalization staff to hold a series of public meetings with taxpayers, interested parties, and industry officials to discuss tax rates and product classification. Staff will then offer recommended alternatives to the Board.

Flavored malt beverages are currently classified as beer by the Department of Alcohol and Beverage Control. The Board of Equalization has historically followed the Department's classification for tax purposes. State law taxes beer at \$.20 per gallon. If flavored malt beverages are reclassified as distilled spirits, the products would be taxed at \$3.30 per gallon.

Chairman John Chiang, of Los Angeles, was elected to his first term as Fourth District Member on the State Board of Equalization in 1998, and re-elected in 2002. He was named Chair of the Board in December 2004. He also presided as Chair in 2002.

The five-member Board of Equalization is a publicly elected tax board. The Board collects almost \$50 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and plays a significant role in the assessment and administration of property taxes.

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